

## STATE TEACHERS' RETIREMENT SYSTEM

### BILL ANALYSIS

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**Senate Bill 1486**, Senator Rainey (Amended 3/26/98)

**Position:** Support

**Proponents:** Constituent (Sponsor), CRTA, CTA, STRS

**Opponents:** None

#### **SUMMARY**

This bill would authorize a retired member to designate a spouse as his or her new option beneficiary under certain circumstances.

#### **HISTORY**

No prior legislation on this subject.

#### **CURRENT PRACTICE**

A retired member may change an option beneficiary upon the death of the beneficiary or the divorce of a spouse who is the designated option beneficiary. Any other event in the life of a retired member which would cause him or her to choose to change the option beneficiary designee is not permissible in statute.

#### **DISCUSSION**

There have been circumstances where unmarried members have selected a friend or relative as option beneficiaries, only to decide at some point in the future to get married. As the original option beneficiary is neither deceased nor a spouse from whom the member would obtain a divorce, under current law, the member is unable to provide an option beneficiary allowance to the new spouse. This bill would provide the member with the ability to change the option beneficiary from a friend or relative to a spouse.

The modified allowance that the retired member receives after electing an option is computed using both the age of the retired member and that of the option beneficiary. The change in option beneficiary is cost neutral to the plan, as the bill specifies that the modified allowance of the

retired member will be actuarially adjusted to take into account the age of the new option beneficiary. The bill was amended to provide for an effective date for the change in option beneficiary to 6 months following notification to the board provided both the member and option beneficiary are still living.

The scope of this bill is narrow, it provides only for those retired members who chose an option allowance and selected someone other than a spouse as the option beneficiary and subsequently would like to provide for a spouse. It does not allow for a retired member who designated someone other than a spouse as an option beneficiary and would subsequently like to provide for a different option beneficiary other than a spouse. A retired member who did not choose an option at the time of retirement but has since married would not be allowed to select an option and designate the new spouse as the option beneficiary.

#### **FISCAL IMPACT**

Program - None, if the bill is amended as suggested.

Administrative - Minor and absorbable.

#### **POSITION**

Support - The Board supports SB-1486, as amended, since the bill would allow a retired member to designate a spouse as a new option beneficiary. This position would be consistent with the Board's policy to support legislation that improves the benefits and services to our members.